

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 21 day of OCTOBER, 2009, by and between **Fossil River, LTD, a Texas Limited Corporation**, whose address is **3604 San Bar Lane, Colleyville, TX 76034**, as Lessor, and **DALE PROPERTY SERVICES, L.L.C., 2100 Ross Avenue, Suite 1870 Dallas Texas 75201**, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

38.109 acres of land, more or less out of the A.J. Knapp Survey, Abstract 922, the Enoch Johnson Survey, Abstract 853, and the S.B. Hopkins Survey, Abstract 671, being more particularly described in the metes and bounds in that certain Special Warranty Deed dated June 3, 1994, by and between Pacific Southwest Bank, F.S.B., as Grantor, and Fossil River, Ltd., as Grantee, recorded in Volume 11610, Page 1806, Deed Records, Tarrant County, Texas, and Block 3 Lot 1, Frank M. Anderson Subdivision, an addition to the City of Fort Worth, according to the plat thereof recorded in Cabinet 1255, Slide 306, Plat Records, Tarrant County, Texas.

in the county of TARRANT, State of TEXAS, containing **38.109** gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **two (2)** years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **twenty-five percent (25%)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be **twenty-five percent (25%)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

See Exhibit "A" attached hereto and by reference made a part hereof.

**IN WITNESS WHEREOF,** this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

Fossil River, Ltd.

LESSOR

By: James R. Stephens

Asst General Partner

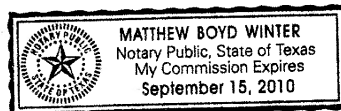
#### CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF

This instrument was acknowledged before me on the 28 of October, 2009, by James R. Stephens, as General Partner of Fossil River, Ltd., a Texas Limited Corporation, on behalf said entity.

Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:



**Exhibit "A"**

The terms set forth below are incorporated into the Oil and Gas Lease dated April 30, 2009, between Fossil River, Ltd., as Lessor, and Dale Property Services, L.L.C., a Texas limited liability company, as Lessee. In the event of a conflict between the terms of this Exhibit "A" and the other provisions of the Lease, the terms of this Exhibit "A" shall control.

17. **Royalty Provisions.** The royalties to be paid Lessor by Lessee are as follows:

- A. **Oil Royalty.** On oil, One-Fourth (1/4) of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Leased Premises, to be delivered free of cost at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected. Unless Lessor elects to take its oil in kind, Lessee may from time to time purchase any royalty oil in its possession, paying to Lessor.
- i. One-Fourth (1/4) of the greater of the market value or the proceeds received from any sale of such royalty oil to any affiliate or related entity, directly or indirectly, free of the cost of production as detailed in Paragraph 18; and
  - ii. One-Fourth (1/4) of the proceeds received from any sale of such royalty oil to an unrelated, unaffiliated entity in an arm's length transaction, free of the cost of production as detailed in Paragraph 18.
- B. **Gas Royalty.** On gas, including casinghead gas or other gaseous substances, produced from the Leased Premises,
- i. One-Fourth (1/4) of the greater of the market value of the gross proceeds received from such sale of any gas sold by Lessee to any affiliate or related entity, directly or indirectly, free of the cost of production as detailed in Paragraph 18; and
  - ii. One-Fourth (1/4) of the proceeds received from any gas sold by Lessee to an unrelated, unaffiliated entity in an arm's length transaction, free of the cost of production as detailed in Paragraph 18.

The term "market value" as used herein shall mean either (i) the average of the prices being paid in three representative sales transactions, on the date of determination of market value, by bona fide unaffiliated purchasers of oil or gas of like kind, quality, and quantity and under similar delivery conditions in the county or counties in which the Leased Premises are located, such three representative sales transactions to be selected by agreement between Lessor and Lessee; or (ii) in the event that Lessor and Lessee are unable to discover and agree upon three such representative transactions, "market value" shall be determined by reference to recognized published indices that are most commonly used to value such products at or near the Leased Premises, plus or minus the prevailing location differentials which adjustments may include, adjustments for differences in quality, grade, gravity, Btu content and other physical properties. The term "affiliate" as used herein shall mean an entity in which Lessee, or the principal shareholders of Lessee, their spouses, parents, or children, in total own twenty-five percent (25%) of the stock or ownership interests of such entity. As used in the foregoing sentence, a "principal shareholder" is a person owning greater than ten percent (10%) or more of the outstanding stock of Lessee.

18. **No Deductions.** It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products to be produced under the Lease; however, in the event Lessee determines in good faith that it can obtain a higher price at a market located outside of the local market and Lessee incurs transportation costs charged by an unaffiliated interstate or intrastate gas pipeline in order to enhance the value of the oil, gas or other products, Lessor's pro rata share of such costs may be deducted from Lessor's share of production. In no event shall Lessor ever receive a price that is more or less than the price to be received by Lessee. Lessee agrees to provide and make available to Lessor at Lessee's premises during normal business hours and upon written request Lessee's records maintained or utilized in connection with any efforts to enhance the value of oil, gas or other products to be produced pursuant to and in connection with this Lease together with any costs paid or proceeds received by Lessee hereunder.

19. **Shut-in.** If, during the primary term or thereafter, there is located on the leased premises (or land pooled therewith according to the pooling authority contained in this lease) a well completed and capable of producing gas in paying quantities but the production thereof is shut-in, shut-down or suspended for lack of a market, available pipeline, or because of government restrictions or, if it is economically inadvisable for both the Lessor and Lessee to sell gas for a time as evidenced by a written agreement signed by both parties, then, and in any such event, the Lessee may pay as royalty a sum of money equal to \$50.00 per acre for the referenced acreage per annum for the period commencing on the date the well is shut in. The first payment will be due not later than ninety (90) days after the date the well is shut in, and subsequent payments will be due annually thereafter (if this lease is not being otherwise maintained in force) on the anniversary date of the period for which the prior payment was made. Upon proper and timely payment of royalty under this paragraph, it will be considered that gas is being produced. Shut-in royalty may be paid direct to Lessor at the address set out in this lease. This lease may not be maintained in force by the payment of shut-in royalties for more than a period of two (2) consecutive years or four (4) years in the aggregate without Lessor's written consent which shall not be unreasonably withheld.

20. **Continuous Development.**

- A. If, at the expiration of the Primary Term, neither oil or gas is being produced on the Leased Premises, but Lessee is then engaged in drilling operations or reworking operations thereon, or has been engaged in drilling operations during the ninety day period preceding the expiration of the Primary Term and this Lease is not being maintained in force and effect under some other provision hereof, this Lease as it then exists, shall remain in force so long as reworking or drilling operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in production of oil or gas, so long thereafter as oil or gas is produced in paying quantities from the Leased Premises, or payment of shut-in gas well royalties is made as hereunder provided.
- B. After the end of the Primary Term, Lessee must thereafter continue a program of continuous drilling on the lands included within the Leased Premises or on lands pooled therewith by allowing no more than one hundred eighty (180) days to elapse between the completion of one well and the commencement of drilling operations on a subsequent well on the Leased Premises or on lands pooled therewith and thereafter by not allowing more than one hundred eighty (180) days to elapse from the completion of the previous well and the commencement of drilling operations on a subsequent well within such lands.
- C. The words "commencement of drilling operations" shall mean the date Lessee begins operations such as building a location and the subsequent moving in of a drilling rig (provided that the drilling bit must enter the earth for the bona fide drilling of a well within sixty (60) days of such beginning of operations) and a well shall be deemed "completed" on the date of performing the official potential test for the Railroad Commission of Texas, the date of plugging if the well is a dry hole, or sixty (60) days after the day the well reaches total depth, whichever date is the earlier.
- D. In conducting its continuous drilling program hereunder, if Lessee commences a well prior to the time that it is otherwise required to do so, it shall be entitled to accumulate and later use any time saved by the early commencement of a well, so that all or any part of the accumulated time may be used to extend the 180 day interval between the completion of one well and the commencement of the next succeeding well, provided, however, that no more than 180 extra days may be accumulated.

21. **Successors and Assigns; Assignment.** The terms of this lease shall be binding upon and shall inure to the benefit of Lessor and Lessee, and their respective successors and assigns; provided that no change in the ownership of the Leased Premises or any assignment of royalties or any part thereof shall be binding upon either party until after the non-assigning party has been furnished with a copy of any and all recorded assignments of rights under this lease; provided that:

- A. Lessee may not assign this lease or any portion thereof without the prior written consent to such assignment by Lessor, with the exception of assignments being made to officers, directors and/or subsidiaries of Lessee, and no attempted assignment by Lessee shall be effective without the written consent of Lessor, which consent will not be unreasonably withheld; and provided further that any such assignment shall be subject to notice provisions of this lease. Any attempted assignment in contravention of this provision shall be void ab initio.
- B. Any such assignment of this lease in whole or in part shall not release the original named Lessee herein from any damages, liabilities or obligations attributable to, resulting or arising from, or incurred in connection with, any actions or inactions of Lessee prior to the effective date of such assignment. And all assignments by Lessee must require the assignee to assume all of Lessee's obligations under this lease.

22. **Insurance.** Lessee shall assure that Lessee and any person acting on Lessee's behalf under this lease carry the following insurance with an insurance carrier licensed by the Texas Department of Insurance at any and all times such party or person is conducting drilling or other operations in and under the Leased Premises or acting pursuant to this lease:

- A. **Worker's Compensation and Employer's Liability Insurance.** Worker's Compensation-Statutory Limits/Employer's Liability Limits - Five-hundred Thousand U.S. Dollars (\$500,000).
- B. **Commercial General Liability ("CGL") and Umbrella Liability Insurance.** Lessee shall maintain commercial general liability insurance, and if necessary, commercial umbrella insurance with a limit of not less than One Million U.S. Dollars (\$1,000,000) each occurrence. If such CGL insurance contains a general aggregate limit, it shall apply separately to this project. CGL insurance shall cover liability arising from premises,

operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract including the tort liability of another assumed in a business contract. As allowed by state law, Lessee shall obtain the broadest scope of coverage for liability arising from pollution, explosion, collapse, underground property damage, or employment-related practices.

- C. **Umbrella Liability Insurance.** Lessee shall maintain commercial umbrella liability insurance with a limit of not less than Ten Million U.S. Dollars (\$10,000,000) each accident. Such insurance shall cover excess liability arising out of premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract including the tort liability of another assumed in a business contract and any auto including owned, hired, and non-owned autos. Such insurance requirement may be met by a combination of primary and excess policies.

23. **Indemnity.** Lessee shall indemnify Lessor, hold Lessor harmless and defend Lessor from and against any and all losses, damages, claims, demands, suits (including appeals), liabilities, fines, penalties and expenses (including reasonable attorney's fees and costs) (collectively "Claims") that are brought by or on behalf of any person or entity, alleging bodily injury, illness, or death or physical damage, loss, or loss of use of any property, and which arise out of, relate to, or are connected with Lessee's operations, or the performance of Lessee's employees or Lessee's independent contractors or subcontractors pursuant to this lease.

24. **Noise Abatement.** Lessee shall endeavor to keep noise levels associated with its operations to a reasonably low level, taking into consideration reasonably available equipment and technology in the oil and gas exploration and production industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites, and the fact that any non-electric powered equipment in its operations, Lessee shall take reasonable steps to follow any and all city ordinance in regards to noise abatement.

25. **Horizontal Severance.** If this lease has not previously terminated pursuant to some other provision of this lease, then four (4) years after the end of the primary term hereof, this lease shall automatically expire as to all depths lying one hundred feet (100') below the base of the then deepest producing formation in any well located on the lands covered by this lease or on lands pooled therewith. Lessee shall then execute and deliver to Lessor a recordable release of any and all interests hereunder below the effective depth of this lease as provided above when requested in writing by Lessor.

26. **Special Warranty Only.** Lessor makes no warranty of any kind with respect to title to the Leased Premises, except by, through and under Lessor. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Leased Premises, and Lessee assumes all risk of title failures except by, through and under Lessor. If Lessor owns an interest in the Leased Premises less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately.

27. **Pooling.** Notwithstanding the provisions of Paragraph 6 of the printed portion of this lease ("Paragraph 6"), unless otherwise agreed to, in writing in advance, by Lessor, not less than all of the leased premises shall be included in any pooled unit formed under the provisions of Paragraph 6.

28. **Substances Covered.** This Lease covers only oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons in either a liquid or gaseous phase or state and such minerals as may be produced in association with the production of oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons; provided, however, that nothing in this Lease shall be deemed to authorize the gasification or *in situ* combustion of coal or lignite; and this Lease shall not be deemed to cover either coal or lignite or any other minerals, with all such other minerals being reserved to the Lessor herein. Accordingly, the words "minerals," "oil" and/or "gas" when used herein shall mean oil, gas and associated gaseous, liquid, or liquefiable hydrocarbons only; and all other minerals are specifically reserved to Lessor.

29. **Right to Inspect Records.** Upon written notice to Lessee and at Lessor's sole expense, Lessor shall have the right at all reasonable times, personally or by representative, to inspect, copy and audit the books, accounts, contracts, records and data of Lessee pertaining to the development, production, saving, transportation, sale and marketing of the oil, gas and other hydrocarbon and non-hydrocarbon substances produced from or attributable to the leased premises or otherwise produced from wells located on the leased premises. Lessor shall have the right to examine at Lessor's offices any gas sales contract or gas processing contract or other agreements covering the sale or processing of gas produced from or attributable to the leased premises or otherwise produced from wells located on the leased premises and any sales agreement for the disposition of oil or condensate produced from or attributable to the leased premises or otherwise produced from wells located on the leased premises. Lessor shall have the right to require Lessee to furnish to Lessor full information as to all oil, gas and liquefiable hydrocarbons produced and sold from or attributable to the leased premises or otherwise produced from wells located on the leased premises. Lessor's rights under this paragraph may be exercised once every calendar year and solely during the normal business hours of Lessee.

30. **Accounting and Payment.** Accounting and payment to Lessor of royalties or overriding royalties from the production of oil and gas from any well shall commence no later than one hundred twenty (120) days after the commencement of production. Thereafter, all accountings and payments of royalties or overriding royalties for gas, oil, condensate or other liquid hydrocarbons shall be made on or before sixty (60) days after the end of the calendar month in which the production occurred.

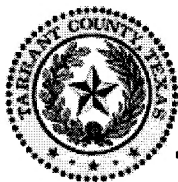
31. **Notifications Required.** Lessee shall advise Lessor in writing of the location of each well to be drilled upon the leased premises or on land pooled therewith on or before seven (7) days after commencement of operations, and shall advise Lessor in writing the date of completion and/or abandonment of each well drilled on the leased premises or on land pooled therewith (such notice shall include furnishing Lessor a copy of the applicable completion or plugging report filed with any governmental or regulatory agency) within thirty (30) days after completion or abandonment. As to any well drilled under the provision of this Lease, Lessor, or Lessor's representatives, or any one or more of the same, shall have access to such well.

32. **Releases Required.** Within one hundred twenty (120) days after the partial termination of this Lease as provided under any of the terms and provisions of this Lease, Lessee shall deliver to Lessor a plat showing the production units designated by Lessee and a fully executed recordable release properly describing by metes and bounds the lands and depths to be retained by Lessee around each producing well. If this Lease terminates in its entirety, then Lessee shall deliver a complete, fully executed, recordable release to Lessor within one hundred twenty (120) days. If such release complies with the requirements of this section, Lessor shall record such release.

Initiated by Lessor

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9  
DALLAS, TX 75201

Submitter: DALE RESOURCES LLC

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 10/26/2009 4:09 PM

Instrument #: D209283230

LSE

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PGS

\$28.00

By: \_\_\_\_\_

*Suzanne Henderson*

D209283230

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY  
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: SLDAVES